Bubbles in a bathtub

Too many ideas, too little execution: a perspective on the Art and Science of Continuous Innovation

Product Innovation is a strategic imperative and a core company asset. Companies today don't have the luxury to continue creating products and services as usual. To be competitive and survive, they must continuously innovate. Product Innovation (PI) done right has the power to increase customer and employee satisfaction, reduce costs, increase differentiation, generate new revenue, increase efficiency, accomplish social good, increase brand equity, and more.

Innovation matters, a 2011McKinsey Global survey found that 67% of executives in the financial services industry view the need for increased innovation to meet strategic goals. Financial firms are (in)famous for innovative financial engineering, but they also innovate in the non financial-engineering space. Micro-credit is a financial "business model" innovation. UBS has an intra company community for idea exchange. Internet companies such as Mint.com (Intuit) have innovated in the personal finance "service" space. Innovative firms like Virgin Money and Paypal are disrupting the traditional banking model. Providing web based insurance quotes and mobile banking was once an innovation, now it's a commodity. It is clear that financial services firms need to innovate continually, to stay ahead.

Today's ultimatum is to innovate or perish, Insurance companies are experimenting with innovative pay-as-you-go models. For example, one day ski insurance or pay-as-you-drive where premiums are determined not only by how much you drive and how, but where. AXA provides "online reputation insurance". A bank dispenses prepaid "credit" cards from ATMs. However, a 2011 Gartner CIO survey showed that almost 66% of insurance CIOs don't see their organizations pursuing a differentiating business strategy. Why do they need to innovate? Consider this threat. Google launched an Advisor service, which further dis-intermediates the financial provider and the customer. A German startup launched peer-to-peer (P2P) insurance. What if that is the next disruption in the industry?

Not by accident
Product Innovation often comes from applying current thinking to other disciplines, creatively blending ideas from several functions, sources and industries. It can be facilitated, nurtured, managed and orchestrated. PI is not always a "eureka" moment, nor an undefined alchemy. Sometimes it is not even obvious. The now ubiquitous Post-It notes work because they use "weak" glue, which was discovered four years before commercialization and deemed not viable in the market

People don't ideate in rows and columns of data. They express opinions and have insights derived from experience and information consumed. Only other humans or semantic analysis engines can understand such expressions. Data and information are buried all over the ecosystem. Effective processes can convert that diversity into knowledge and insight. To make PI a rapid, replicable process within the organization, you need the tools to sift through terabytes of data to find the relevant nuggets and processes to act on the new found insight.

"*Ideas are like belly buttons, everyone has one. It is all about execution*", goes the saying in the Venture Capital industry. Some of the biggest challenges around PI are related to the execution of viable ideas. Execution involves time, money, people, regulation, sales, marketing, IT, and processes to tie it all together. Today, this is largely a manual process that is slow, inefficient and unproductive. How do you make it simple and repeatable, federated yet collaborative, free flowing yet disciplined? How do you harness the collective knowledge of 1000's of employees across the firm, without letting in too many ideas, or killing off some too soon?

Effective execution lets you *harness the collective intelligence of the ecosystem and* *use it to propel Product Innovation in a timely, cost efficient manner*.

Effective execution needs an almost musical "orchestration" of collaboration, structure, measurability etc. The PI process is not just a pipeline. It is a funnel of dynamic collaborative inputs. The initial PI stages are Ideation and Discovery. This is a fuzzy process, much like bubbles in a bathtub, following a *managed Darwinian approach* to survival. The process helps rapidly create a mosaic of information, thereby accelerating the idea evolution. Then transition to the Concept, Prototype and Pilot stages, where more structure, rigor and discipline are required, as the few selected ideas move through the enterprise. The ideas are vetted by further research, experts and trials, possibly in an iterative manner. Finally, a market viable product is prepared for launch, involving Production, Go to Market and Selling. It is important to facilitate a broad cross functional, collaboration at each stage, as sometimes the best suggestions come from people "outside the box". This also reduces innovation risk.

Since this is unlike any other corporate process, tools beyond the typical Business Process/Rules Management and Idea Management are needed. Adding a Business Process Management application on top of a Document Management application is not a recipe for innovation, but for failure. Clubbing together disparate tools and hoping for some innovation magic to occur is wishful thinking. Sometimes it is in the handoff between these tools that critical insights may be lost, or the smooth collaborative flow may be broken.

A drop of Insight

How do you, the CXO, know what is going on, in real time, across your enterprise product innovation portfolio? Collating status from hundreds of project spreadsheets will not provide you the analytics needed to make just-in-time critical decisions. How do you ensure that your soon to be launched product seizes the opportunity presented by the just announced regulation, not get blindsided by it. Is governance seamlessly woven into your innovation processes, or is it a cumbersome overhead? Such issues can derail your enterprise innovation capability and turn your product innovation cycle into a reactive - not proactive engine.

Once you have the visibility, how do you measure the effectiveness? What and how do you measure your KPIs and risk measures? Are they providing a holistic view of product innovation globally across the firm? Are they automated and at your fingertips via real time dashboards, or does it take a mini-project to get the answers? Measure too much and you can smother innovative thinking; measure too little, and you will end up with an unrepeatable manual "black box" process.

Regulations and Compliance are important considerations to this process and must not be an afterthought. Given the extreme regulatory complexity in the financial industry, there is no option but to have regulatory inputs as an integral part of the process. Successfully managing this complexity in the PI context will provide a competitive advantage.

Consider this, what if you could have Product Innovation down to a science, ingrained as a part of your company DNA? What if your company could innovate rapidly, to continually produce new and improved products that keep you ahead of the competition? It is about taking ideas to market, by enabling free thinking, leveraging the talent and the processes that you have already invested in, to realize a sellable product, again and again: effectively, rapidly and in a scalable manner. That is *Repeatable PI,* and it is achievable with the right environment and tools. It also reduces innovation risk. Moreover, as there is no single model for innovation and innovations are generally tied to factors such as culture, environment, industry, geography etc, enabling competitive advantage. Companies have to run to stay in the same place, because those innovating control the treadmill. Innovate or become irrelevant.

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